

NIC Comments on Paper

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In essence, this meeting deals with the use of U.S. technology --mainly

compressor stations, turbines and rotors,-- in the Yamal gas pipeline by European ~~subsidaries~~ firms who are either U.S. subsidiaries or who have The basic questions are: a licence for the technology.

--What will be the effect of a U.S. ~~denial~~ denial of this technology

--What is the legal status of the licenses

--What will be the reaction of the ~~US~~ West Europeans if the U.S. were to deny the technology?

Commerce, Treasury, and State are better placed to judge the legal status of the licenses. ~~Subsidiaries~~

My own views on the other two questions are:

--Effect of denial of technology

-It will make the project more ~~more~~ costly

-The Soviets and the West Europeans will try to use substitute technology of unproven and probably poorer quality.

-Since the technology in question ~~is~~ is only needed during the last phase of construction, its denial will not delay initial work. There are two views on how long it will ~~take~~ take the Soviets and East Europeans to develop substitute components. The CIA view has been that it will take two years; some ~~industry~~ industry sources are not ~~speaking~~ speaking in terms of five years to develop an inferior product. ~~At least~~ In any event it seems that the denial of U.S. technology can delay but not block the project.

- Use of substitute technology will probably make the pipeline less efficient and therefore less profitable.

-- Reaction of ~~the~~ West Europeans

U.S. Ambassadors to Bonn and London have already ~~we~~ weighed with recommendations not to make license denial retroactive.

-State will probably argue that any U.S. denial will be condemned by the Europeans.

- I believe ~~if~~ State is correct if ~~it appears that~~ the West Europeans perceive ^{that} the U.S. is using the Polish crisis from its outset in order to ~~achieve~~ achieve a goal it could not reach by diplomacy, ~~namely~~ namely to block the ~~pipeline~~ pipeline.

-On the other hand, since we believe ~~that~~ the situation in Poland will get ~~more~~ worse (more repression, more violence, continued possibility of eventually Soviet intervention), it may be possible to bring the Europeans to share our policy. ~~if~~

~~In the final analysis, then, if it is possible-~~

The key question ~~then~~ then becomes: Can we delay the ~~decision~~ final decision while at the same time deferring the ~~on~~ on U.S. licenses without running an inordinate risk of having the technology transferred to the U.S.S.R. before we have time to act. If so, then that seems to be the prudent course to take. If not, then we have to bite the bullet and decide whether we want to ~~block~~ ~~the project badly enough~~ complicate and delay the pipeline badly enough to risk great irritation on the part of the West Europeans.